

Office of the City Auditor City of San Diego

Citywide Revenue Audit Fiscal Year 2010

Citizens Revenue Review and Economic Competitiveness Commission
April 8th, 2010



Major Revenue Categories

Category	FY2010 Budget Amount*
Property Tax	\$ 396,818,843
Sales Tax	\$ 217,198,749
Transient Occupancy Tax/Tourism Marketing District	\$ 75,907,285
Franchises (includes Refuse Haulers)	\$ 74,586,929
Leases, Rents & Concessions	\$ 43,897,570
TransNet	\$ 26,299,528
Gas Tax	\$ 24,295,928
Business Tax/Rental Unit Tax	\$ 15,556,861
Fines, Forfeitures, Penalties	\$ 7,693,928
Motor Vehicle License Fees	\$ 3,900,000
TOTAL	\$ 886,155,621

* Please see Table 1 of audit report and related footnotes. Figures are mostly FY2010 Adopted Budget amounts; some are taken from prior years' budgets due to changes in accounting. These are noted throughout the report.

Office of the City Auditor

City of San Diego

TransNet

TransNet Background

- TransNet program funds transportation improvements throughout San Diego County
- City receives an allocation based on population and miles of road maintained
- City receives amount it requests, not full amount 'in the pot'

Revenue & Audit Provision

- Revenue Trend

	FY2007	FY2008	FY2009
TransNet Allocation to City of San Diego	\$32,673,896	\$32,182,461	\$24,862,913
Disbursement	\$27,516,771	\$29,949,086	\$20,069,503
Difference	\$5,157,125	\$2,233,375	\$4,793,410

- Audits

- San Diego Association of Governments (SANDAG) hires firm for annual fiscal and compliance audits
- Review performed by SANDAG staff, as well as City Comptroller's Office

Issues for Review

- Lack of written policies/procedures for verifications of TransNet revenues performed by the City
- Unclear whether California Dept. of Transportation regularly updates data used to determine miles of road maintained
 - ♦ CalTrans Public Roads Data used to determine miles of road maintained

Recommendations

- City Comptroller's Office should continue identifying the necessary subprocesses and *prepare written policies/procedures* for verifying the accuracy of TransNet revenues
- In order to verify accurate TransNet allocations, the City of San Diego Streets Division should work with the California Department of Transportation (CalTrans) to *ensure accurate miles of road maintained figures*

Office of the City Auditor

City of San Diego

Gas Tax

Gas Tax Background

- Also known as Highway Users Tax
- Charged for privilege of storage, removal, sale, or use, of motor vehicle fuel
- Expenditure of funds restricted to maintenance/improvement of public streets and highways, public mass transit guideways, and related public facilities
- Total amount of CA gas tax: 63.9 cents/gal
 - ♦ Combination of federal gas tax, state gas tax, and state/local sales taxes on gasoline

Revenue & Audit Provision

- Revenue Trend

	FY2007	FY2008	FY2009
Gas Tax	\$23,820,674	\$17,739,073	\$27,461,580

- Audits

- ♦ State

- ✦ California Bureau of State Audits (BSA) conducts audits of gas tax funds → cyclical basis
 - ✦ Last audited in 2004-05 and 2008-09

- ♦ City of San Diego

- ✦ Comptroller's Office reviews state apportionment reports

Issues for Review

- Lack of written policies/procedures for gas tax verifications performed by the City
- City may be paying federal gas tax it is exempt from paying

Recommendations

- Office of the City Comptroller should *develop written policies/procedures* for verifications of gas tax revenues performed by the City
- Office of the City Comptroller should *ensure the City is not paying federal gas taxes* by verifying that the payments to fuel vendors do not include federal excise tax

Office of the City Auditor

City of San Diego

Fines, Forfeitures, Penalties

Fines, Forfeitures, Penalties Background

- City collects revenue from fines, forfeitures, and penalties derived from traffic citations and violations of other non-vehicular codes
- San Diego County Superior Court distributes revenue based on various California codes

Revenue & Audit Provision

- Revenue

	FY2007	FY2008	FY2009
Fine, Forfeiture, Penalty Revenue	\$40,314,050	\$36,575,469	\$41,145,559

Note: Includes additional fine, forfeiture, penalty revenue – such as library fines – not included in audit scope

- Audits

- ◆ State Controller's Office performs court revenue distribution audits to ensure accurate and timely remittance
- ◆ Performed on cyclical basis of once every four years

Issues for Review

- City is unaware of State Controller's Office audits of court-distributed revenues
 - ◆ Findings that are relevant to the City are not followed up on to ensure payment of any underremittances

Recommendations

- City Treasurer's Office should *monitor when court revenue distribution audits are done* by the State Controller's Office, and be aware of findings and/or underremittances relevant to the City of San Diego for purposes of follow up
- City Treasurer's *Revenue Audit Division should consider performing audits of court-distributed revenues*

Office of the City Auditor

City of San Diego

Motor Vehicle License Fees

MVLF Background

- Imposed for privilege of operating a vehicle upon public highways of the state
- Current rate is 1.15 percent of vehicle's estimated value
 - ◆ Will return to 0.65 percent on July 1, 2011 unless CA Director of Finance postpones change to 2013
- State law does not specify the use of MVLF revenues allocated to cities and counties

Revenue & Audit Provision

- Revenue

	FY2007	FY2008	FY2009
MVLF Revenues	\$8,967,490	\$10,228,691	\$5,772,091

- Audits

- ◆ California Bureau of State Audits (BSA) performs financial audit of the State
 - ✦ Two audits related to MVLF revenues, but specific to adjustment enacted in 2005-06
- ◆ City of San Diego
 - ✦ Comptroller's Office checks monthly distribution statements
 - ✦ Financial Management monitors MVLF disbursements to the City

Issues for Review

- Lack of written policies/procedures for verifying proper receipt of motor vehicle license fees distributed to the City

Recommendations

- Office of the City Comptroller and Financial Management should *develop written policies/procedures* for verifications of MVLF revenues

Office of the City Auditor

City of San Diego

Questions?